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IN THE
Supreme Court of the United States

OCTOBER TERM 1988

NO. 88

CAPITAL CONTROLS COMPANY, INC.,
Petitioner

vs.

CHLORINATORS, INC., AND JAMES F. HASKETT,
Respondents

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

This petition presents the following questions:

Did the Federal Circuit violate Rule 52(a) F.R.Civ.P. and disregard this Court's admonitions about the Rule laid down in *Dennison Manufacturing Company v. Panduit Corp.*, 475 U.S. 809, (1986) by refusing to accept the trial court's fact findings and instead reviewing the evidence *de novo* to invalidate the patent?

In resolving this question, the court will be presented with the following subsidiary questions:

A. Did not the facts found by the trial court, in and of themselves, clearly support the trial court's conclusion that the Kalamazoo transaction was motivated primarily by a desire to test the invention?

B. Can an invention be on-sale so as to bar patentability under 35 U.S.C. 102(b) if it has not been first reduced to practice, i.e. demonstrated to function for its intended purpose?

RULE 28.1 STATEMENT

Petitioner Capital Controls Company has no parent companies or subsidiaries apart from wholly-owned subsidiaries or affiliates.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit in its cause Nos. 87-1604,-1641. The judgment was entered on June 7, 1988. Rehearing was denied on July 21, 1988, and an *in banc* suggestion was declined.

OPINIONS BELOW

The opinion of the Federal Circuit is reprinted in the Appendix to this petition beginning at page 1a, and the trial court opinion (as corrected on Rule 60(b) motion) is reprinted in the Appendix beginning at page 7a. Neither opinion has been published.

JURISDICTION

The judgment of which review by this Court is sought was entered on June 7, 1988, and rehearing was denied on July 21, 1988. This Court has jurisdiction by virtue of 28 U.S.C. §1254(1).

THE CONSTITUTIONAL PROVISIONS STATUTES AND RULES INVOLVED

U.S. Constitution, Amendment V

"No person shall . . . be deprived of life, liberty or property, without due process of law . . ."

Federal Rules of Civil Procedure

Rule 52

(a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses. . . .

Title 35 United States Code

§102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to patent unless—

* * *

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, ...

* * *

STATEMENT OF THE CASE

The proceedings in the courts below began with a complaint filed by Capital Controls Company (Capital Controls) against Chlorinators, Inc. and its president, James F. Haskett (Chlorinators) for infringement of Capital Controls' Stenberg patent covering a vacuum operated automatic switchover system and module. Chlorinators denied infringement and alleged invalidity of the patent based on several grounds including the on-sale provisions of 35 U.S.C. §102(b). After a week long bench trial, and consideration of the parties' written submissions, the trial court entered findings of fact and conclusions of law holding the patent valid and intentionally infringed by Chlorinators. On appeal, the Federal Circuit reversed the judgment of the trial court insofar as patent validity was concerned. Reversal mooted the trial court's subsequent judgment awarding Capital Controls almost $600,000 in damages, interest and attorneys fees.

Capital Controls' Vice-President of Engineering, Nyyrikki K. Stenberg invented the subject matter of the patent in suit in 1968 while head of its three-person engineering department. The Stenberg invention is intended to protect the public health by insuring continuous chlorination of water, such as public water supplies.

Prior to the Stenberg invention, there did not exist a commercially satisfactory way to prevent an interruption in water chlorination, such as might occur at night or on weekends, except by having someone periodically check the chlorine supply tanks and change the tanks in anticipation of depletion. In the Stenberg invention, chlorine supply interruption is prevented by means of a vacuum operated switchover system which automatically switches from an empty tank to a full tank. The system includes a switchover module interconnected by tubing between a pair of pressure regulators mounted atop a pair of chlorine tanks. The module is connected by tubing to a vacuum source which draws

chlorine from one of the tanks and causes the chlorine to be injected into a flowing water stream. As the one tank becomes depleted, the switchover module switches to the full tank in response to an increase in vacuum in the line to the depleted tank. The depleted tank is later replaced with a full tank which then acts as a stand-by until the other tank becomes depleted, and the cycle is repeated.

The patent in suit (Stenberg patent) was applied for and issued to Capital Controls in 1971, while respondent Haskett was its president.[1] The present controversy had its genesis in 1976 when, as president of respondent Chlorinators, respondent Haskett purchased a Capital Controls switchover module, took it apart and made drawings from it, and then marketed the module and switchover system through respondent Chlorinators. The trial court found that respondent Haskett's knowledge of the Stenberg patent while he was president of Capital Controls coupled with his subsequent copying and commercial activities without a *bona fide* defense constituted willful infringement.

One of the invalidity defenses raised by Chlorinators was that the Stenberg patent was invalid under 35 U.S.C. §102(b) because three items of equipment embodying the Stenberg invention were sold by Capital Controls to the city of Kalamazoo, Michigan two months before the "critical date", i.e. one year before the application for the Stenberg patent was filed. Based on documentary evidence received, and the testimony of witnesses at trial, the trial court found facts from which it concluded that the equipment was sold to Kalamazoo primarily for experimental purposes, and that the Stenberg patent was not invalid on this ground. The facts found by the trial court are set forth in the Appendix at pages 16a-18a.

---

1. In 1971, Haskett transferred his entire interest in Capital Controls to a larger company for over $1,000,000 in stock, resigned in 1973, and founded respondent Chlorinators in 1975. The application for the Stenberg patent was listed as an asset in that transaction.

On appeal, the Federal Circuit reviewed *de novo* the evidence surrounding the on-sale/experimental use issue and held the patent invalid. In its opinion, the Federal Circuit did not find to be clearly erroneous any of the facts found by the trial court on this issue, nor did it mention Rule 52(a). The Federal Circuit did not consider any other issues in the case, but remanded it for entry of judgment holding the Stenberg patent invalid.

The Federal Circuit summarized the nub of the on-sale/experimental use issue when it stated in its opinion, p. 3 (2a):

> "There is no dispute that before the March 20, 1969 critical date (i.e., one year before the application filing date), on January 31, 1969, CCC sold three devices which embody the invention. Thus, Chlorinators and Haskett have proven a *prima facie* case of an on-sale bar. A section 102(b) bar is avoided if the primary purpose of the sale was experimental, (citing cases) because the law recognizes that an inventor may need to have a customer test the invention to determine that the invention works for its intended purpose. The question here is whether the facts lead to the conclusion that the subject sales were for such purpose."

The trial court made separate detailed findings of fact about the on-sale/experimental use issue and discussed the facts in its opinion. From these facts the trial court concluded that the sale of three items of switchover equipment to Kalamazoo two months before the critical date was in furtherance of a proper experimental use. These found facts are as follows:

> 1. Capital Controls selected Kalamazoo as a safe location to test the equipment because it had a large number of wells and the chlorine supply was checked three times a day [16a; FF-50].
>
> 2. The Kalamazoo Water Department supervisor knew the first three modules were experimental [16a; FF-51].

3. The first three modules were produced by Capital Controls' Engineering Department and were not charged to standard production inventory [16a; FF-52].

4. The primary designer of the modules testified that the modules were sent for field testing and changes were made as experiments progressed [17a; FF-53].

5. The price charged was set by Capital Controls' factory personnel which was an unusual procedure [17a; FF-54].

6. Capital Controls' representative was advised that the price was arbitrary and was not to be used on any future transaction [17a; FF-54].

7. Kalamazoo normally paid list prices for Capital Controls' products but the price charged was less than it would have been with Capital Controls' standard discount [17a; FF-54].

8. The low price was motivated primarily by a desire to test the modules, as opposed to a desire to profit on the transaction [18a; FF-54].

9. The sale to Kalamazoo was the only sale to a customer of Capital Controls between January 31, 1969 and March 21, 1969 [18a; FF-56].

10. Capital Controls' business procedure clearly indicated the experimental nature of the project [18a; FF-58].

11. At the time of the Kalamzoo transaction, Haskett took the position that the transaction was experimental [18a; FF-57].

Against the above array of facts favoring a sale for experimental purposes, the trial court found only the following facts which might have supported a contrary inference:

1. These modules were not installed at Kalamazoo by anyone from Capital's engineering department. [18a; FF-55]

2. Although there was no evidence that Capital told the City of Kalamazoo that the modules were for experimental purposes, Capital's business procedure in this situation clearly indicates the project's experimental nature. [18a; FF-58]

The Federal Circuit correctly noted that the only issue regarding the on-sale aspect of this case was whether or not the three items of equipment shipped to Kalamazoo in January, 1969 were sold primarily for the purpose of testing the Stenberg invention to determine whether or not it would function satisfactorily for its intended purpose. Based on its found facts, the trial court concluded that the sale was primarily for experimental purposes. Based on its *de novo* review of the evidence, the Federal Circuit concluded that the sale was not for experimental purposes.

REASONS FOR GRANTING THE WRIT

The Court should issue the Writ of Certiorari in this case because the Federal Circuit's reversal of the trial court is grounded upon a total disregard of the requirements of Rule 52(a) and because the Federal Circuit has not followed the admonition of this Court laid down in *Dennison v. Panduit, infra,* about the proper deference the Federal Circuit should give to facts found by a trial court. Moreover, the Writ should issue because the Federal Circuit's decision in this case, and other recent decisions on the same issue, are at odds with the long-standing and oft-cited decision of this Court in *City of Elizabeth v. The American Nicholson Pavement Co., infra.*

In 1986, in the patent case of *Dennison v. Panduit, infra,* this Court admonished the Federal Circuit as to the proper deference to be given to facts found by a trial court

in non-jury cases. In *Dennison,* the Patent Law issue was obviousness. This case involves an on-sale/experimental use issue. But for the differences in the Patent Law issues, the Federal Circuit's disregard of the requirements of Rule 52(a) is the same.

In *Dennison,* this Court granted certiorari and immediately remanded the case to the Federal Circuit for a proper appellate review with due regard to be given to Rule 52(a), this Court stating at 475 U.S. 811:

> "The Federal Circuit, however, did not mention Rule 52(a), did not explicitly apply the clearly-erroneous standard to any of the district court's findings on obviousness and did not explain why, if it was of that view, Rule 52(a) had no applicability to this issue. We therefore lack an adequate explanation of the basis for the Court of Appeals' judgment: most importantly, we lack the benefit of the Federal Circuit's informed opinion on the complex issue of the degree to which the obviousness determination is one of fact. In the absence of an opinion clearly setting forth the views of the Court of Appeals on these matters, we are not prepared to give plenary consideration to petitioner's claim that the decision below cannot be squared with Rule 52(a). Instead, we grant the petition for certiorari, vacate the judgment, and remand the case to the Court of Appeals for further consideration in light of Rule 52(a)."

As in *Dennison,* nowhere in the Federal Circuit's opinion in the present case will there be found any mention of Rule 52(a) or the clearly-erroneous standard. More importantly, however, the Federal Circuit seems bent on continuing to ignore this Court's clearly stated directions with respect to the proper scope of appellate review. In the exercise of its supervisory function and to prevent manifest injustice to Capital Controls, this petition should be granted.

In support of this plea, Petitioner makes the following points:

I. *The Trial Court's Finding That There Was No Reduction to Practice Before The Critical Date Was Correct and Should Not Have Been Disturbed.*

At the heart of the on-sale/experimental use issue was the factual and legal issue of whether or not the Stenberg invention had been reduced to practice before the sale to Kalamazoo. On this issue, the trial court held, p.19 (21a):

> "In the case at bar, the automatic switchover modules and ancillary equipment shipped to the City of Kalamazoo on January 31, 1969, had not been tested sufficiently to verify their operability and commercial marketability prior to the critical date."
>
> * * *
>
> "The switchover equipment was tested for less than two months beyond the critical date. The equipment failed when first installed sometime after January 31, 1969; replacement switchover modules with certain changes were shipped on March 21, 1969; and it was only after a period of using the replacement modules that the operability of the invention for its intended purpose was demonstrated. Therefore, a reduction to practice of the invention did not occur until after the critical date."

The Federal Circuit, however, held, p.5 (4a):

> "CCC also contends that, because field tests were necessary to verify functional reliability on a continuous basis, its invention was not reduced to practice until after the critical date and no on-sale bar could occur as a matter of law. As this court said in the *UMC* opinion, reduction to practice in the interference-law sense of the term is not always an absolute requirement of the on-sale bar. *UMC*, 816 F.2d at 656, 2 USPQ2d at 1471. In any event, the only basis for arguing, unsuccessfully we think, that there was no reduction to practice is that Kalamazoo was engaged in experimental testing. This argument is merely redundant."

The trial court, however, heard the testimony of Wentz, a former Capital Controls engineer who was the primary designer of the modules and who was called as a witness by Chlorinators. The trial court found as a fact that, (17a):

> "53. Between 1968-1969, Capital had a three-man Engineering Department including:
>
> (1) N.K. Stenberg, Executive Vice President, Chief Engineer and inventor of the Stenberg patent;
>
> (2) Edward L. Wentz, an engineer who reported to Stenberg; and
>
> (3) John E. Kriebel, who reported to Wentz.
>
> Wentz was the primary designer of the three switchover modules sent to Kalamazoo and was in charge of the assembly and testing of the modules. Wentz testified that the modules were sent to the City for field testing and certain changes were made as the experiments progressed, enabling Capital to produce modules that functioned properly in a vacuum operated switchover system."

The Federal Circuit stated, however, that p. 4 (3a):

> "The only evidence, provided by Wentz's testimony, indicates that CCC (Capital Controls Co.) *had* tested the invention before selling it to Kalamazoo."

The statement made by the Federal Circuit is completely at odds with the testimony by Wentz on direct and cross-examination as reflected at pages 398 and 407 of the trial transcript:

Direct:

> Q: Did you ever, Capital, [sic] all the time you were there, test a vacuum operated automatic switchover module by hooking it to two chlorine tanks and letting one run out, one tank run out of chlorine pressure to affect [sic] the switchover of the module?
>
> A: Not to my recollection.

Cross:

> Q: With respect to the vacuum operated switchover modules that were shipped to Kalamazoo in January, 1969, you did not actually test those modules before they actually went out to Kalamazoo, did you?

A: The Kalamazoo modules?
Q: Yes.
A: I don't recall if I did or not.

The only testimony of Wentz on which the Federal Circuit could have based its conclusion that Capital Controls had tested "the invention" would have been the statements of Wentz on direct examination contained in the trial transcript at pp. 396-398 and reprinted in full in the Appendix at p. 26a, but that testimony only relates to bench testing the module which is covered only by claims 6-12 of the patent.

The Stenberg patent, which was filed on March 20, 1970, includes claims both to a vacuum operated automatic switchover system (Claims 1-5) and to a switchover module (Claims 6-12). Yet, the Federal Circuit does not articulate any distinction between these two claimed aspects of the Stenberg invention or differences in the type of testing needed to effect a reduction to practice. All Wentz testified about was cycling the module to make sure its mechanism worked and it did not leak. Neither he, nor anyone else, testified that the switchover system had been tested prior to shipment of the equipment to Kalamazoo to determine whether or not it would work as intended, let alone tested to determine whether or not it would work reliably.

The Federal Circuit also ignored the statements made by Wentz on cross-examination where he acknowledged the truth of the statement he made in an affidavit filed earlier in the case that:

> "I believe that the knowledge we gained at Capital Controls as a result of the failure of the first automatic switchover modules to perform properly in the Kalamazoo field tests was helpful in developing a satisfactory vacuum operated switchover module capable of functioning in its intended manner in a vacuum operated water chlorinating system." (trial transcript pp. 421-427)

On the issue of testing the Federal Circuit further stated at p. 4 (3a):

> "CCC *contends* that it selected Kalamazoo as a safe location to 'test' the invention largely because the city checked its chlorination equipment three-times daily". (Emphasis added.)

The trial court *found as a fact* at page 12, (16a):

> "50. Beginning in 1968, Capital selected the city of Kalamazoo, Michigan as a safe location in which to test the vacuum operated automatic switchover system. The city has a large number of water wells and Capital determined that the City Water Department checked the chlorine supply three times a day."

The trial court heard witnesses (Kriebel and White) testify about the disastrous public health consequences that result when there is an interruption of water chlorination, whether it be by supply exhaustion or by equipment malfunction. The Stenberg invention was intended to solve the supply exhaustion problem. Kalamazoo was selected as a safe location to see if the Stenberg automatic switchover system would work reliably because the water chlorination equipment was physically checked three times a day. Barnard testified that the first failure of the Stenberg automatic switchover system occured at night, and was promptly detected (transcript p. 584). This simply confirmed Capital Controls' prudence in selecting Kalamazoo as the locus of the first real test of the new equipment. Moreover, the chlorine was put to good use, as contrasted with the significant environmental problem it would have created if indeed it were possible for Capital Controls to have tested the equipment in-house at its designed capacity.

The Federal Circuit stated at page 6 (5a):

> "Kalamazoo's Supervisor of Operations, Barnard, testified that he believed the modules were experimental, which favors CCC. On the other hand, no evidence in the record indicates how Barnard reached his belief."

The trial court, however, *found as a fact,* at page 12 (16a), that:

> "51. Kalamazoo's Operations Supervisor for the Water Department, Frank Barnard, knew that the first switchover modules supplied by Capital were experimental in nature."

The trial court heard Barnard testify and found as a fact that he knew the first three modules were experimental. Although the Federal Circuit acknowledged that Barnard's testimony favored Capital Controls, the Court said: "On the other hand, no evidence in the record indicates how Barnard reached his belief." Barnard did, however, testify about his involvement with the installation of the initial equipment, its failure and ultimately his developing confidence in its reliability several months after the three original modules were removed and replaced with three other modules (transcript pp. 569-587). The Federal Circuit simply discounted his testimony and, perforce, the fact finding which was based on it.

II. *The Trial Court's Fact-Finding Regarding the Motive Behind the Kalamazoo Transaction Was Based on Competent Evidence and the Federal Circuit Should Not Have Disturbed That Finding.*

The Federal Circuit committed egregious error when it made an unfounded statement of fact, i.e. that Capital Controls does not deny it made a profit, and based on that statement, concluded that the fact that Capital Controls made a profit undermines Capital Controls' position that the equipment was still experimental when shipped to Kalamazoo. The trial court made several distinct factual findings as set forth in paragraphs 5, 6, 7, and 8, *supra,* regarding the lack of a profit motive behind the Kalamazoo transaction. From these, and other found facts, the trial court concluded: "The low price was motivated primarily by a desire to test the modules as opposed to a desire to profit on the transaction." (18a).

The Federal Circuit acknowledged that the price Capital Controls charged Kalamazoo was "arbitrary (not to be used on future transactions), not negotiated, and allowed more than a standard discount," but it noted that Capital Controls paid its usual sales commission to its Michigan sales representative, and from this statement of fact jumped to the unfounded conclusion that:

> "Evidence that it made a profit undermines CCC's argument that its device was undeveloped or experimental."

Nowhere in the record — nowhere — is there any evidence or any representations that Capital Controls made any profit on the sale.

The trial court discussed this issue thoroughly and concluded that testing, not profit, was the primary motive, stating at page 13 (17a):

> "54. Capital invoiced the City of Kalamazoo on the same day the three switchover modules were shipped. The price on the invoice was not negotiated between Power Process Engineering Company and The City, but was set by personnel at Capital's factory. This was not the usual procedure for setting the invoice price, further demonstrating the experimental nature of the project. This price, as noted in a letter from Capital's factory to the Power Process Engineering Company, was arbitrary and not to be used on any future transaction.
>
> The City normally paid list prices or received a 10% discount on Capital's standard products. The price charged for the three modules at $3465, allowed more than the standard discount given to Kalamazoo, as the list prices would have totalled $4263 for the equipment. The low price given to the City for the first three vacuum operated automatic switchover modules and systems was motivated primarily by a desire to test the modules and systems, as opposed to a desire for profit on the transaction."

Finally, the Federal Circuit stated at page 7 (5a):

> "When the court asked Haskett to characterize the Kalamazoo sale, he stated '[t]here was no experimental basis . . . it was bought.' Although little credence might be given to the defendant's latter, self-serving response to the court, Haskett's other testimony states facts which could have been contradicted, but were not."

The trial court, however, *found as a fact* at page 14 (18a):

> "57. At the time of the sale to the City of Kalamazoo, Haskett, then President of Capital, took the position that this transaction was experimental."

By use of the ellipsis in its opinion, the Federal Circuit excised a critical admission made by respondent Haskett directly to the trial judge.

The full quote from the trial transcript states: "There was no experimental basis. *If you want to call it a field test, yes.* But it was bought and by that time Mr. Sabo had the standard equipment and he knew the policy of the company was to stand behind." (Italicized portion of testimony deleted by Federal Circuit in its opinion).

Although the Federal Circuit also alludes to other "testimony" of respondent Haskett that states "facts" that could have been contradicted, the Federal Circuit does not specifically identify either such testimony or facts. This Court is, therefore, without benefit of the Federal Circuit's view of such evidence and its relation to the found facts and the clearly erroneous standard.

There is, however, a document that was received in evidence during cross-examination of respondent Haskett and which undoubtedly formed a basis for the trial court's finding. It is a memorandum of a telephone conversation between respondent Haskett and Capital Controls' patent attorney in 1972. The telephone conversation related to the Kalamazoo transaction and its affect on the Stenberg patent. The memo (P-57) states, in pertinent part:

> "Haskett stated that if any such installation was made on that date, [January 31, 1969] it was a single instance only, it was subsequently replaced because it did not function well, design changes were made thereafter, and that there would have been only one such installation, in that it was not until summer of 1970 that shipments actually began by Capital."

The trial court's findings of fact were, therefore, based on substantial evidence and should have been given due deference by the Federal Circuit.

III. *The Trial Court Applied the Proper Legal Test to the Facts and the Federal Circuit Erred as a Matter of Law in Reversing the Trial Court.*

In deciding the present case, the trial court followed precedent extant in 1986 which held that an invention could not be on-sale until it had been reduced to practice, i.e. demonstrated to function for its intended purpose. In deciding *UMC Electronics Co. v. U.S., supra,* in 1987, the Federal Circuit caused a sea-change in the interpretation of 35 U.S.C. 102(b) when it abolished the requirement that an invention be reduced to practice before it could be considered to be in public use or on-sale. Prior to then, the various Circuit Courts of Appeals and the Court of Customs and Patent Appeals had followed this Court's decision in *City of Elizabeth v. The American Nicholson Pavement Co., supra,* as the leading case on this issue. In *UMC Electronics,* Judge Smith, in dissent, summarized the significance of the change in the following language:

> "Our past decisions consistently have held, as a threshold requirement for the section 102(b) on-sale bar, that a device must be in existence and shown to work for its intended purpose (the classical definition of reduction to practice) before the on-sale bar can apply. The panel majority does not seriously dispute that this has been the law of the circuit, the law of our predecessor courts, and the law of the land, for 150 years. Today, the panel majority ignores the significance of decades of discussion of 'reduction to practice' as if it does not exist, and eliminates the reduction to practice requirement for the on-sale bar."

Up until *UMC Electronics,* there was clear precedent that the on-sale bar required, at least one year prior to the filing of a patent application, that: (1) the complete invention claimed be embodied in or obvious in view of the thing offered for sale; (2) the thing offered for sale be reduced to practice; and (3) there be a definite sale or offer for sale, primarily for profit rather than for experimental purposes. In the case at bar, Capital Controls admitted the existence of element (1), but with respect to element (2) proved, and the trial court found, that the invention had not been reduced to practice, and with respect to element (3) proved, and the trial court found, that the offer for sale was motivated primarily for the purpose of testing the invention.

In the past several years, the formerly well-recognized three-prong test for determining the existence of an "on-sale" bar has quickly eroded in a series of separate Federal Circuit decisions. Initially, the Federal Circuit abolished the "on-hand" requirement. Next it abolished the "profit" requirement. The last to go was the reduction to practice requirement in *UMC Electronics, supra.*

The Court of Appeals for the Federal Circuit was created to bring uniformity and certainty to the Patent Laws. In many cases, it has. However, with respect to the on-sale/experimental use aspects of 35 USC 102(b), where there was once clarity, there is now uncertainty. Certiorari should be granted to clarify this important section of the Patent Laws.

CONCLUSION

The Federal Circuit could not have reversed the trial court without finding facts of its own. The Federal Circuit did not find any of the trial court's facts to be clearly erroneous, and it did not state that from the facts found, the trial court erred as a matter of law in reaching the legal conclusion it did. The Federal Court had to review the evidence *de novo,* reweigh it, find additional facts, and reverse the trial court. In doing this, it misapplied Rule 52(a), and

deprived Capital Controls of valuable patent rights without due process. Certiorari should be granted to prevent manifest injustice.

There is another important reason why the Writ should be granted.

The public use or sale bar to patentability has been extant, under one statutory rubric or another, for almost 150 years. Yet, it has been almost a century since this Court last considered this section of the Patent Laws. In just the past several years, the Federal Circuit has so chipped away at this Court's holding in *City of Elizabeth, supra,* that responsible manufacturers that need to field test inventions affected with public health or safety can no longer predict with any measure of certainty the effects of their activities on their patent rights. This case affords an opportunity, not only to bring certainty to this important area of the Patent Laws, but also to speak again to the Federal Circuit, perhaps this time in *vox signata* about its obligation to comply with Rule 52(a).

For the reasons stated, it is respectfully requested that this petition be granted.

Respectfully submitted,

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APPENDIX

Note: This opinion has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit

No. 87-1604,-1641

CAPITAL CONTROLS COMPANY, INC.,
Plaintiff/Cross-Appellant,

v.

CHLORINATORS, INC. and JAMES F. HASKETT,
Defendants/Appellants.

DECIDED: June 7, 1988

Before RICH, DAVIS,* and NIES, *Circuit Judges.*

NIES, *Circuit Judge.*

DECISION

Chlorinators, Inc. and its founder and officer, James F. Haskett, appeal from the judgment of the United States District Court for the Southern District of Florida, No. 84-8051 (as corrected Aug. 19, 1987), involving United States Patent No. 3,606,907 ('907) assigned to Capital Controls Company, Inc. ("CCC"). The district court had bifurcated the trial, trying only the liability issues raised in CCC's complaint for infringement. The court held, *inter alia,* that

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*The Honorable Oscar H. Davis did not participate in this decision.

the '907 patent was not invalid as "on sale" within the meaning of 35 U.S.C. § 102(b) (1982). We reverse that holding of the court and vacate the remainder of the court's opinion. Thus, we *reverse in part, vacate in part,* and *remand* for judgment to be entered in accordance with this decision.**

OPINION

I

The ultimate issue of whether the facts create an on-sale bar under section 102(b) is one of law. *J.A. LaPorte, Inc.* v. *Norfolk Dredging Co.*, 787 F.2d 1577, 1581 n.7, 229 USPQ 435, 438 n.7 (Fed. Cir.), *cert. denied,* 107 S. Ct. 274 (1986); *Barmag Barmer Maschinenfabrik AG* v. *Murata Mach., Ltd.*, 731 F.2d 831, 837, 221 USPQ 561, 565 (Fed. Cir. 1984). The parties agree that the facts are undisputed. Accordingly, we may resolve the issue by applying the appropriate rule of law to those undisputed facts. *See, e.g., Icicle Seafoods, Inc.* v. *Worthington,* 475 U.S. 709, 714 (1986); *UMC Elecs. Co.* v. *United States,* 816 F.2d 647, 657, 2 USPQ2d 1465, 1472 (Fed. Cir. 1987), *cert. denied,* 108 S. Ct. 748 (1988).

There is no dispute that before the March 20, 1969 critical date (i.e., one year before the application filing date), on January 31, 1969, CCC sold three devices which embody the invention. Thus, Chlorinators and Haskett have proven a *prima facie* case of an on-sale bar. A section 102(b) bar is avoided if the primary purpose of the sale was experimental, *Baker Oil Tools, Inc.* v. *Geo Vann, Inc.*, 828 F.2d 1558, 1563, 4 USPQ2d 1210, 1213 (Fed. Cir. 1987), *UMC,* 816 F.2d at 656, 2 USPQ2d at 1472; *Barmag Barmer,* 731 F.2d

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**CCC cross appeals only to assert error in the district court's failure to find *expressly* that Chlorinators and Haskett were liable for inducing infringement and contributorily infringing the '907 patent. In view of our disposition of this appeal, No. 87-1604, we dismiss that cross appeal, No. 87-1641, as moot.

at 839, 221 USPQ at 567, because the law recognizes that an inventor may need to have a customer test the invention to determine that the invention works for its intended purpose. The question here is whether the facts lead to the conclusion that the subject sales were for such purpose.

Our analysis must encompass all of the circumstances surrounding the sale and must focus on the policies underlying the bar. *UMC,* 816 F.2d at 656, 2 USPQ2d at 1471-72.

II

More than a year before the filing date of the '907 patent, CCC sold three, vacuum-operated, switchover devices and accompanying equipment used for continuous water chlorination, covered by the '907 patent, to the City of Kalamazoo, Michigan. CCC contends that it selected Kalamazoo as a safe location to "test" the invention largely because the city checked its chlorination equipment three-times daily. Presumably, if the equipment did not work, the city would complain. CCC retained no control, however, over Kalamazoo's "test"; Kalamazoo made no promise of secrecy, *Harrington Mfg. Co.* v. *Powell Mfg. Co.,* 815 F.2d 1478, 1481, 2 USPQ2d 1364, 1366 (Fed. Cir. 1986); there was no agreement restricting resale or use, *Western Marine,* 764 F.2d at 846, 226 USPQ at 339; and no reports on the use of devices were given back to CCC.

CCC also contends that field tests in a corrosive, chlorine environment were necessary. The claims do not require a system able to supply *chlorine,* but a "gas." Consequently, such tests would relate to the customer's intended use, not the invention's operability. *See General Elec. Co.* v. *United States,* 654 F.2d 55, 64, 211 USPQ 867, 875 (Ct. Cl. 1981). In any event, CCC failed to show a need for public testing, i.e., why it could not perform tests itself using chlorine if such tests were necessary. *See Baker Oil,* 828 F.2d at 1564, 4 USPQ2d at 1214. The only evidence, provided by Wentz's testimony, indicates that CCC *had* tested the invention

before selling it to Kalamazoo. Such evidence undermines CCC's contention of experimental purpose in its sale to Kalamazoo. *Id.*

CCC also contends that, because field tests were necessary to verify functional reliability on a continuous basis, its invention was not reduced to practice until after the critical date and no on-sale bar could occur as a matter of law. As this court said in the *UMC* opinion, reduction to practice in the interference-law sense of the term is not always an absolute requirement of the on-sale bar. *UMC,* 816 F.2d at 656, 2 USPQ2d at 1471. In any event, the only basis for arguing, unsuccessfully we think, that there was no reduction to practice is that Kalamazoo was engaged in experimental testing. This argument is merely redundant.

The price CCC charged Kalamazoo was "arbitrary" (not to be used on future transactions), not negotiated, and allowed more than a standard discount. Such evidence, CCC contends, negates a "profit motive." CCC paid its usual sales commission to its Michigan sales representative, however, and does not dispute that it still made a profit on the sale. Evidence that it made a profit undermines CCC's argument that its device was undeveloped or experimental. *General Elec.,* 654 F.2d at 59, 211 USPQ at 871. Moreover, a patent owner may have created an on-sale bar despite *losing* money on a sale. *Barmag Barmer,* 731 F.2d at 840, 221 USPQ at 568. Similarly, CCC notes that its first advertisements and price lists were unavailable until after the critical date. The first sale, however, need not be part of full-scale marketing. *Id.* at 838, 221 USPQ at 566.

Finally, CCC points out that at least one of the originally shipped switchover modules failed and that CCC shipped three replacement modules on March 21, 1969. There is no indication that a defect in the invention caused the failure or that the replacements were in any way different from the original modules. Indeed, it appears that the three "old" modules were returned to stock. That CCC changed

the ball material, which is not a claim limitation, is irrelevant. *See, e.g., Barmag Barmer,* 731 F.2d at 838, 221 USPQ at 566 (immaterial that modifications made in delivered machines because no changes made that concern claim limitations); *Western Marine,* 764 F.2d at 847, 226 USPQ at 339. Further, a section 102(b) bar may apply even if the invention is later refined or improved. *See Baker Oil,* 828 F.2d at 1563, 4 USPQ2d at 1214.

Kalamazoo's Supervisor of Operations, Barnard, testified that he believed the modules were experimental, which favors CCC. On the other hand, no evidence in the record indicates how Barnard reached his belief. Moreover, the subjective belief of the inventor or customer is not controlling when objective evidence points otherwise. *See, e.g., In re Brigance,* 792 F.2d 1103, 1108 & n.8, 229 USPQ 988, 991 & n.8 (Fed. Cir. 1986); *Harrington,* 815 F.2d at 1481 & n.3; 2 USPQ2d at 1366 & n.3. Here, there is no evidence that the inventor communicated the experimental nature of the sale. *See In re Dybel,* 524 F.2d 1393, 1401, 187 USPQ 593, 599 (CCPA 1975) (on-sale bar where seller failed to communicate experimental nature).

Appellant Haskett testified that CCC's policy was to test internally at its plant and, if necessary, to use local facilities such as swimming pools to run tests. Per Haskett, that policy dictated that "[i]f a unit was put for tests, say, on somebody's pool or an installation, it was not sold, there were no dollars involved." When the court asked Haskett to characterize the Kalamazoo sale, he stated "[t]here was no experimental basis . . . it was bought." Although little credence might be given to the defendant's latter, self-serving response to the court, Haskett's other testimony states facts which could have been contradicted, but were not.

III

On these facts we conclude that the district court erred as a matter of law in holding the '907 patent not invalid

under section 102(b). Specifically, the court erred by requiring Haskett and Chlorinators to prove that the invention was commercially marketable, that CCC made a "normal" profit on its sale, and that the invention was actually reduced to practice. As a result of its error, the court's analysis failed to consider the totality of the circumstances and the policies underlying the section 102(b) bar. The undisputed facts lead us to hold that CCC's delay in filing the application for the '907 patent is unacceptable. Its sale of modules embodying the invention more than one year before the critical date constitutes a degree of commercialization not countenanced by the patent statute and an attempt to extend the period of lawful protection. Accordingly, the '907 patent is invalid.

COSTS

We award costs to Chlorinators and Haskett as the prevailing parties.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CAPITAL CONTROLS COMPANY, INC.,
Plaintiff,

vs.

CHLORINATORS, INC.,
and
JAMES HASKETT,
Defendants.

CASE NO. 84-8051-Civ-Hastings

FINDINGS OF FACT AND CONCLUSIONS OF LAW

THIS CAUSE comes before the Court on trial of this matter, which began on August 25, 1986 and continued throughout the week, ending on August 29, 1986. After careful consideration of the evidence, legal and factual issues and being fully advised, this Court submits its Findings of Fact and Conclusions of Law. Some findings of fact may appear to be conclusions of law or vice versa, as some overlapping of this type is unavoidable.

Special mention should be made with regard to counsel for all parties who presented themselves in a most impressive, professional and intelligent manner. The persuasive arguments of the attorneys for both the Plaintiff and Defendants were clear, concise, and a pleasure to preside over. Although one side must prevail, both sides were quite adequately represented and are to be commended.

FINDINGS OF FACT

1. Capital Controls Company, Inc., (hereinafter referred to interchangeably as "Plaintiff" or "Capital"), a Pennsylvania Corporation, was assigned the patent in suit, U.S.

Patent 3,606,907, filed on March 20, 1970 by N.K. Stenberg, who invented the patented equipment in 1968 while he was Vice President of Engineering at Capital (hereinafter referred to as the "Stenberg Patent").

2. Defendant, Chlorinators, Inc., (hereinafter referred to as "Chlorinators") is a Florida Corporation.

3. Defendant, James Haskett, (hereinafter referred to as "Haskett") is an individual residing in Florida.

4. Haskett founded Plaintiff in 1960 and was its President from then until he resigned in 1973. In 1975, Haskett founded Chlorinators and has been, and currently is, Chairman of its Board of Directors and Secretary, also having been its President from 1975 to 1980.

5. From its start in 1960, Plaintiff has been manufacturing and selling water chlorinating equipment, including a direct tank-mounted chlorinator which was the subject of U.S. Patent No. 3,220,430 issued to Haskett (hereinafter referred to as the "Haskett Patent").

6. Since 1976, Chlorinators has manufactured and sold water chlorination equipment in competition with Plaintiff.

7. The two patents in issue involve water chlorination equipment which operate on essentially the same principles to chlorinate water and are sold in competition with one another.

8. Plaintiff's Complaint alleges direct infringement of its Stenberg Patent, as well as contributory infringement and the inducing of infringement, for which it seeks an injunction and actual and exemplary damages. The Defendants' Answer and Counterclaims assert non-infringement and invalidity of the claims of the Stenberg patent and unfair competition by Plaintiff in bringing this suit. Also alleged are the defenses of laches and estoppel against the enforceability of the patent but no evidence was introduced at trial on those defenses.

9. Capital's electrically-operated automatic switchover equipment is referenced in Bulletin 960 which was published in 1965. Problems of cost and complexity associated with the referenced automatic switchover system prompted Capital's personnel to develop automatic switchover equipment which operates solely on vacuum to effect switchover and thereby to maintain continuity of water chlorination in the event that a tank on which a chlorinator is mounted runs dry.

10. Stenberg was aware of some of the operational problems that plagued the electrical automatic switchover system.

11. The Stenberg Patent was issued to Plaintiff for its vacuum operated automatic switchover equipment. This equipment includes a pair of vacuum regulators adapted to mount onto two chlorine tanks, an ejector for creating a vacuum in response to water flow therethrough, and an automatic switchover module interconnected with the vacuum regulators and ejector by tubing. As one chlorine tank becomes empty, the switchover module senses an increase in vacuum in the line from the empty tank and automatically switches over to the full tank to enable it to feed chlorine to the ejector. The empty tank can be replaced with a full tank by unbolting the chlorinator from the empty tank and bolting it to the full tank. The full tank is placed on standby when its main valve is opened. No resetting or manual actuation of the automatic switchover module is required to place the full tank on standby.

12. Plaintiff's vacuum operated switchover equipment has been sold continually since 1969, and current versions thereof are illustrated and described in its Bulletin A1.1200.1. This equipment has been commercially successful.

13. The original Stenberg Patent document issued by the Patent Office was sent to Haskett as President of Capital with a cover letter dated October 29, 1971 from John F.

McNulty of Paul and Paul, the Philadelphia firm of attorneys who obtained the patent. On or about November 1, 1971, Haskett signed a copy of the McNulty cover letter acknowledging receipt of the Stenberg Patent on behalf of Capital, and the cover letter was returned to McNulty.

14. On November 1, 1972, Haskett discussed the Stenberg Patent with McNulty who prepared a memorandum of the discussion. The memorandum refers to certain vacuum operated automatic switchover modules and systems installed in Kalamazoo, Michigan early in 1969.

15. Haskett left Capital's employment in 1973 and founded Chlorinators in 1975.

16. As of 1973, when he resigned as President of Capital, Haskett knew that the vacuum operated automatic switchover equipment was a profitable product line of Capital.

17. In April 1976, Haskett, as President of Chlorinators, purchased from United Industries, a distributor of water chlorination equipment, a vacuum operated automatic switchover module which had been manufactured by Capital since 1975. This module did not have any patent numbers on it. Approximately one year later, Haskett disassembled the module he purchased and proceeded to make parts drawings from the purchased module.

18. From the purchased module, Haskett, made an assembly drawing A-501 dated January 1, 1978 which depicts an automatic switchover module in cross-section, and the following individual parts drawings related to the assembly drawing by reference numerals: 1-Main Body (M-570-0); 3-Spring Pin (M-552-2); 4-Upper Pivot (M-550-1; 5-Top Cap (M-514-1); 8-Spring Keeper (M-540-1); 9-Spring Keeper Pivot (M-542-1); 11-End Cap (M-512-0); 13-Guide Pin (M-534-1); 14-Diaphragm Bolt (M-520-2); 15-Diaphragm Nut (M-522-2); 16-Guide Pin Pivot (M-536-1); 17-Lower Pivot (M-530-2); 19-Mounting Bracket (M-560); 20-Guide Pin Rod (M-532-1); and 22-Bottom Cap (M-515-1).

19. The vacuum operated automatic switchover module presently sold by Chlorinators is substantially structurally and functionally identical to the vacuum operated automatic switchover module purchased by Haskett from Capital.

20. The parts drawings Haskett made were provided to Select Manufacturing of Vero Beach, Florida for the purpose of having Select Manufacturing manufacture automatic switchover module parts for Chlorinators.

21. Select Manufacturing used the parts drawings prepared by Haskett to manufacture vacuum operated automatic switchover module parts for Chlorinators until about 1984.

22. Essentially the same parts drawings as referenced in Paragraph 18 are currently used in the manufacture of automatic switchover modules sold by Chlorinators.

23. The following Capital parts drawings correspond substantially to like parts drawings used by Chlorinators in the manufacture of its automatic switchover modules:

Capital	Chlorinators	Capital	Chlorinators
W-176	M-542-1	W-168	M-536-1
U-809	M-512-0	U-751	M-530-2
U-808	M-510-0	U-627	M-520-2
U-628	M-532-1	U-146	M-522-2
U-513	M-540-1	D-114	M-524
A-277	M-550-1	D-104	do
do	M-552-2		

24. The design of the vacuum operated automatic switchover module marketed by Chlorinators was copied in all material respects from the Capital's module purchased by Haskett.

25. On May 13, 1977, Chlorinators sold its first vacuum operated automatic switchover equipment and has been selling such equipment continually since then.

26. On October 1, 1977, C.R. Baker, who was then Managing Director for Capital Controls-Europe, wrote a letter to Capital distributors in Europe in which he made the following statement about Chlorinators: "They have a switchover system but to date, no literature." At this time, Baker did not have reason to know the structure of the Chlorinators' switchover system.

27. In April 1978, Chlorinators published its Bulletin 221 which contains schematic illustrations of its vacuum operated automatic switchover equipment.

28. In 1982, Baker, as President of Capital, obtained a module manufactured by Chlorinators and had it analyzed by John E. Kriebel. This was the first time that Baker had reason to believe Chlorinators was infringing the Stenberg Patent.

29. On or about November 3, 1982, Haskett and Chlorinators were sent a letter from Charles R. Baker, then President of Capital, regarding the Stenberg Patent. Haskett and Chlorinators responded to the letter on or about December 13, 1982.

30. On January 25, 1984, this action for patent infringement was commenced against Defendants. The delay between November 1982 and January 1984 in filing suit was due to Capital's divestment from Dart Industries.

31. Neither Haskett nor Chlorinators sought the opinion of patent counsel regarding the Stenberg Patent until after the present patent infringement action was commenced.

32. The application for this patent contained twelve claims when filed. Claims 1-5 of the Stenberg Patent related to a gas supply system having automatic switchover means, and claims 6-12 relate to a vacuum operated automatic switchover module.

33. No amendments were made in the language of the specification or claims of the Stenberg patent application during its pendency in the Patent Office.

34. Contemporaneously with the filing of the application, attorney McNulty, who prepared the application, voluntarily cited, but did not explain, the numbers of certain patents which were located in the course of a preliminary search conducted in the Patent Office before the application was filed. The patents included U.S. Patent Nos.: 1,764,193 (Bruehl); 2,610,649 (Brodhun); 2,654,564 (Pech); 2,518,894 (Humbarger); 2,547,823 (Josephian); 2,626,628 (Norway); and 3,001,541 (St. Clair).

35. On March 16, 1971, the Examiner to whom the Stenberg application had been assigned, issued an Official Action requiring restriction between system claims 1-5 and module claims 6-12.

36. On April 7, 1971, attorney McNulty filed in the Patent Office a paper arguing the propriety of the Examiner's restriction requirement and requesting that all claims be examined in the same application.

37. On May 10, 1971, the Examiner issued an Official Action allowing all claims and citing certain patents. The Examiner cited but did not apply to the claims the following U.S. Patents: 2,285,686 (Shanley); 2,654,564 (Pech); 2,741,257 (Edwards); and 2,966,920 (Oglesby). On June 2, 1971, a formal Notice of Allowance was mailed from the Patent Office.

38. While the application of the Stenberg Patent was being prosecuted in the Patent Office, Haskett received copies of at least some of the correspondence between attorney McNulty and N.K. Stenberg. Specifically, Haskett received copies of letters from McNulty dated June 30, 1969 regarding obtaining further information about the Stenberg invention; September 30, 1969 reporting the results of a preliminary search in the Patent Office; March 25, 1971 supplying a copy of the response to the Examiner's Action; May 13, 1971 reporting the allowability of the application for the Stenberg Patent; and August 17, 1971 advising as to the date of issuance of the Stenberg Patent.

39. In 1970, as President of Capital, Haskett, in conjunction with the company's attorneys and the board of directors, negotiated a merger of Capital into Dart Industries. The merger involved the exchange of shares of stock in Capital for shares of stock in Dart Industries. The application for the Stenberg Patent was identified in the merger agreement between Dart and Capital as of the date of the merger.

40. Haskett testified at trial that his resignation from Capital was actually a discharge from that position by Dart Industries.

41. Chlorinators published Specifications 215-D, 225-B and 415-C, each of which illustrates and describes its vacuum operated automatic switchover equipment, for the purpose of inducing prospective users to purchase its equipment. Specification 215-D is typical of the publications distributed by Chlorinators regarding its vacuum operated automatic switchover equipment.

42. Chlorinators' Specification 215-D illustrates and describes a vacuum operated automatic switchover system which comprises:

> an ejector for creating a vacuum,
>
> a first chlorine tank,
>
> a second chlorine tank,
>
> a first vacuum regulator unit mounted on the first chlorine tank,
>
> a second vacuum regulator unit mounted on the second chlorine tank, and
>
> a vacuum operated switchover module connected to the first and second vacuum regulator units and to the ejector by means of tubing.

This system causes the first vacuum regulator unit to communicate with the ejector through the switchover module

for delivering chlorine gas to the liquid flowing through the ejector, and upon increase in negative pressure (or partial vacuum) between the ejector and first vacuum regulator unit cause by depletion of chlorine in the first tank, automatically discontinuing such communication and substantially simultaneously placing the second vacuum regulator unit in communication with the ejector.

43. Claims 1-5 of the Stenberg Patent describe a vacuum operated automatic switchover system comprising of the components listed in paragraph 42.

44. Capital's vacuum operated automatic switchover system referenced in Bulletin A1.1200.1 includes each of the components referred to in paragraph 42 and operated in the manner described when installed by the ultimate user.

45. Chlorinators' vacuum operated automatic switchover equipment includes all of the components referenced in Paragraph 42, except for the first and second chlorine tanks, which are supplied by the ultimate user. The automatic switchover module of the Chlorinators' Model 215, 225, and 415 is a material part of the automatic switchover equipment referenced in Paragraph 42 and is expected to be used in such a system.

46. The only known use for the vacuum operated automatic switchover module component, as specified in Paragraph 42, is in the vacuum operated automatic switchover system.

47. Capital's automatic switchover modules have progressed through three stages since 1969:

(1) 1969-1972: The module body was machined from thermoplastic stock and balls were used as valving members (illustrated in Capital's Drawing P-193).

(2) 1972-1974: The module body was machined, but the balls were replaced by a valve plug having o-rings on opposite ends and connected to the toggle

linkage (illustrated in Capital's Drawing P-193-1,-2,-3,-4).

(3) 1975-present: The module body was fabricated of molded plastic, and the location of the outlets relative to the spring component of the toggle linkage was inverted relative to the previous stages (illustrated in Capital's Drawing P-193-5-6).

This suit is based upon Chlorinators' infringement of Capital's module during this third stage. The structure of the first stage modules manufactured by Capital is the basis of the Stenberg Patent. Capital has not sold automatic switchover control modules of this stage since 1972. Current versions of Capital's vacuum operated switchover equipment are commercially successful.

48. The automatic switchover module components of the Model 215, 225, and 415 vacuum operated automatic switchover equipment sold by Chlorinators are structurally and functionally identical to the third stage automatic switchover modules sold by Capital since 1975.

49. Both Capital's and Chlorinators' vacuum operated systems identify the automatic reset as an important feature. This function automatically resets the system after the empty tank has been replaced with a full tank.

50. Beginning in 1968, Capital selected the city of Kalamazoo, Michigan as a safe location in which to test the vacuum operated automatic switchover system. The city has a large number of water wells and Capital determined that the City Water Department checked the chlorine supply three times a day.

51. Kalamazoo's Operations Supervisor for the Water Department, Frank Barnard, knew that the first switchover modules supplied by Capital were experimental in nature.

52. In January 1969, three automatic switchover modules produced by Capital's Engineering Department, were

shipped to the City of Kalamazoo to be installed in three vacuum operated automatic switchover systems. Components for these modules were obtained from an outside machine shop which was not an unusual procedure. The components, however, were not charged to standard production inventory. These modules were substantially the same as Stenberg Patent claims 6-12 and were intended to be installed in a system as claimed in claims 1-5 of the patent.

53. Between 1968-1969, Capital had a three-man Engineering Department including:

(1) N. K. Stenberg, Executive Vice President, Chief Engineer and inventor of the Stenberg Patent;

(2) Edward L. Wentz, an engineer who reported to Stenberg; and

(3) John E. Kriebel, who reported to Wentz.

Wentz was the primary designer of the three switchover modules sent to Kalamazoo and was in charge of the assembly and testing of the modules. Wentz testified that the modules were sent to the City for field testing and certain changes were made as the experiments progressed, enabling Capital to produce modules that functioned properly in a vacuum operated switchover system.

54. Capital invoiced the City of Kalamazoo on the same day the three switchover modules were shipped. The price on the invoice was not negotiated between Power Process Engineering Company and the City, but was sent by personnel at Capital's factory. This was not the usual procedure for setting the invoice price, further demonstrating the experimental nature of the project. This price, as noted in a letter from Capital's factory to the Power Process Engineering Company, was arbitrary and not to be used on any future transaction.

The City normally paid list prices or received a 10% discount on Capital's standard products. The price charged

for the three modules at $3465, allowed more than the standard discount given to Kalamazoo, as the list prices would have totalled $4263 for the equipment. The low price given to the City for the first three vacuum operated automatic switchover modules and systems were motivated primarily by a desire to test the modules and systems, as opposed to a desire for profit on the transaction.

55. These modules were not installed at Kalamazoo by anyone from Capital's engineering department.

56. The sale of the three modules to Kalamazoo was the only sale transaction to a customer of Capital between January 31, 1969 through March 21, 1969, when replacement modules were sent to Kalamazoo.

57. At the time of the sale to the City of Kalamazoo, Haskett, then President of Capital, took the position that this transaction was experimental.

58. Although there was no evidence that Capital told the City of Kalamazoo that the modules were for experimental purposes, Capital's business procedure in this situation clearly indicates the project's experimental nature.

59. The Stenberg Patent is listed for classification purposes by the U.S. Patent Office in Class 137, Subclass 113. Class 137 is entitled "Fluid Handling Equipment."

60. The art to which the vacuum operated automatic switchover system and modules of the Stenberg Patent pertains is that of fluid (gas or liquid) handling equipment.

61. The issuance of a patent is based in part upon comparing the invention with "prior art", that is, previously patented inventions.

62. The purpose of comparing an invention to prior art is to determine whether "the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art

to which said subject matter pertains." 35 U.S.C. Section 103.

The relevant time frame for purposes of determining whether the vacuum operated automatic switchover system and modules of the Stenberg Patent was obviously or non-obviously similar to prior art, is late 1968 and early 1969.

63. The scope and content of the prior art relevant to the Stenberg Patent includes:

(1) The Wallace and Tiernan Patent, U.S. Patent 1,283,993.

(2) The Hudson Patent, U.S. Patent 2,389,667.

(3) The Pech Patent, U.S. Patent 2,654,564.

(4) The Shinn Patent, U.S. Patent 1,925,610.

(5) The Melichar Patent, U.S. Patent 2,408,799.

(6) The Ashton Patent, U.S. Patent 2,651,491.

(7) The Zimmer Patent, U.S. Patent 2,768,640.

(8) The Wallace and Tiernan Patent, U.S. Patent 1,285,496.

(9) The Haskett Patent, U.S. Patent 3,220,430.

(10) Capital's electrically controlled automatic switchover system referenced in its Bulletin 960.

Most of the above-patents were either originally classified or cross-referenced in areas searched by the Examiner in the course of examining the application for the Stenberg Patent. Those that were not considered by the Examiner were less pertinent to the Stenberg invention as they were merely cumulative of the prior art already considered. The failure by Capital to disclose patents other than what was relevant, did not breach any duty of candor to the Patent Office Examiner.

64. The Davis Patent, U.S. Patent 3,592,215, cited by Defendants as bearing on the scope and validity of the Stenberg Patent, was actually reduced to practice after the Stenberg Patent. Therefore, the Davis Patent does not constitute prior art in this case.

65. Neither Capital nor its attorney cited its Bulletin 960, which shows an automatic switchover system sold by Capital in the United States more than one year before the filing date of the Stenberg Patent.

66. The evidence in the trial of the case at bar substantiates this Court's finding that the Stenberg Patent was not obvious with regard to the prior art referenced in the above *Findings of Fact,* paragraph 63.

CONCLUSIONS OF LAW

1. A patent is an integrated document in which the written description ("specification") is a primary aid to interpreting the claims. *SRI International v. Matsushita Electric Corp. of America,* 227 U.S.P.Q. 577, 585 (Fed. Cir. 1985). The Court looks to the written description to interpret the claims as they would be understood by a person of ordinary skill in this art, namely, an engineer with some experience in fluid handling. *Fromson v. Advance Offset Plate, Inc.,* 720 F.2d 1565, 1571 (Fed. Cir. 1983); *Loctite Corp. v. Ultraseal Ltd.,* 781 F.2d 861, 870 (Fed. Cir. 1985).

2. The party suing on the patent has the burden of proving infringement by a preponderance of the evidence. *Envirotech v. Al George, Inc.,* 730 F.2d 753, 758 (Fed. Cir. 1984).

3. There are three separate ways in which a patent can be infringed:

(1) Direct infringement occurs when one makes, uses or sells the combination covered by the patent claims. 35 U.S.C. Section 271(a).

(2) Inducing infringement occurs when one aids and abets direct infringement. 35 U.S.C. Section 271(b).

(3) Contributory infringement occurs when one sells a material component of a patented invention knowing the same to be especially made for use in infringing a

patent, and not a staple article or commodity suitable for substantial non-infringing use. 35 U.S.C. Section 271(c).

For there to be liability for either inducing infringement or for contributory infringement, there must be a direct infringement. *Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341, 128 U.S.P.Q. 354, 357 (1961).

4. A corporate officer may be held liable for inducing infringement. *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 481 (Fed. Cir. 1985).

5. A patent is presumed valid. 35 U.S.C. Section 282.

6. A patent may be invalid if a product embodying the invention was on sale more than one year before the application for the patent was filed in the U.S. Patent and Trademark Office. 35 U.S.C. Section 102(b). "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." *CPG Products Corp. v. Pegasus Luggage*, 221 U.S.P.Q. 766, 779 (S.D. Fla. 1983).

7. To determine whether or not an invention is "on sale" within the meaning of the statute, the invention must have been embodied in the product offered for sale, it must have been tested sufficiently to verify that it is operable and commercially marketable, and the sale must be primarily for profit rather than for experimental purposes. *Barmag Barmer Maschinenfabrik v. Murata Machinery, Ltd.*, 731 F.2d 831, 839, 221 U.S.P.Q. 561 (Fed. Cir. 1984).

In the case at bar, the automatic switchover modules and ancillary equipment shipped to the City of Kalamazoo on January 31, 1969, had not been tested sufficiently to verify their operability and commercial marketability prior to the critical date. [The "critical date" with respect to the one year time period before filing, as discussed in the above *Conclusions of Law*, paragraph 6, is March 20, 1969, as the

application for the Stenberg Patent was filed on March 20, 1970.] Additionally, a profit motive was absent from the Kalamazoo transaction, as evidenced by the arbitrary price and experimental nature of the transaction.

The switchover equipment was tested for less than two months beyond the critical date. The equipment failed when first installed sometime after January 31, 1969; replacement switchover modules with certain changes were shipped on March 21, 1969; and it was only until after a period of using the replacement modules that the operability of the invention for its intended purpose was demonstrated. Therefore, a reduction to practice of the invention did not occur until after the critical date. This Court finds that the Kalamazoo transaction did not invalidate the Stenberg Patent since the invention was not "on sale" within the meaning of 35 U.S.C. Section 102(b).

8. For an invention to be anticipated under 35 U.S.C. Section 102, a prior art reference must disclose each of the elements of the invention arranged in the combination claimed. Under 35 U.S.C. Section 103, an invention is obvious, and therefore not patentable, if the differences between it and the prior art would have been obvious to one of ordinary skill in the art to which the invention pertains at the time it was made.

Where the prior art relied upon to invalidate a patent is no more pertinent than the prior art considered by the Patent Office Examiner, the presumption of validity is not rebutted. *CPG Products Corp. v. Pegasus Luggage, Inc.*, 221 U.S.P.Q. 766, 779 (S.D. Fla. 1983).

Defendants rely on several items of prior art in attempting to invalidate the Stenberg Patent. The Bulletin 960 automatic switchover system and the Wallace and Tiernan switchover system utilize electrically actuated controls. Each requires a manual reset after switchover, as contrasted with the Stenberg invention which is vacuum oper-

ated and does not require resetting. The evidence at trial showed that neither of these patents is more pertinent than the patents considered by the Patent Office Examiner, several of which disclose a switchover system having a switchover module operating on pressure differentials and not requiring electrical power.

Since the Pech Patent was considered by the Examiner before issuing the Stenberg Patent, the latter is presumed valid. Regarding the Hudson Patent, that invention operates with a different mechanism on different principles to effect switchover, so as to render it less pertinent to the Stenberg Patent than the patents considered by the Patent Office Examiner.

The testimony at trial established that Capital's electrically actuated switchover system was not pertinent to the Stenberg invention and would not have been material to the examination of the application. Any failure on the part of Stenberg, or his attorneys, to disclose the aforementioned inventions to the Patent Examiner did not constitute a breach of any duty of disclosure. A reasonable examiner would not consider the Bulletin 960 important in deciding whether to allow the application to issue as a patent. *A.B. Dick Company v. Burroughs Corporation*, 798 F.2d 1392, 1397, 230 U.S.P.Q. 849, 853 (Fed. Cir. 1986). The Stenberg Patent, therefore, is neither anticipated by nor obvious in view of the prior art within the meaning of 35 U.S.C. Sections 102 and 103.

9. Although this Court is reluctant to find Defendants liable for deliberate indifference or wanton infringement, precedent mandates such a finding on the facts of this case. *CPG Products Corporation v. Pegasus Luggage, Inc.*, 227 U.S.P.Q. 497, 502 (Fed. Cir. 1985), *Underwater Devices, Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389-90, 219 U.S.P.Q. 569, 576 (Fed. Cir. 1983). Any other finding would be "incompatible with the applicable finding clearly articulated." *CPG Products*, 227 U.S.P.Q. at 502.

Damages shall be increased in an amount to be determined by this Court after actual damages have been determined. This Court shall set an evidentiary hearing on the issue of damages.

10. Since willful infringement exists in this case, an award of attorney's fees is appropriate. *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 228 U.S.P.Q. 367 (Fed. Cir. 1986). Attorney's fees are allowed in "exceptional cases." *S.C. Johnson*, 228 U.S.P.Q. at 369. The exceptional aspect of the instant case can be found in Defendant Haskett's knowledge of the Stenberg Patent, prior to joining Chlorinators.

11. U.S. Patent 3,606,907 entitled "Switchover Control Device for Gas Supply System" issued to Capital Controls (Stenberg Patent) is valid.

12. Claims 1-5 of the Stenberg Patent have been and are being directly infringed by users of Model 215, 225 and 415 vacuum operated automatic switchover equipment sold by Chlorinators.

13. Chlorinators directly infringes claims 6-12 of the Stenberg Patent by selling vacuum operated automatic switchover modules for use in its Model 215, 225, 415 vacuum operated automatic switchover systems.

14. Plaintiff Capital is entitled to an injunction against Defendant Chlorinators' continued manufacture and sale of its Model 215, 225 and 415 vacuum operated automatic switchover equipment and the switchover module used in its pressure switchover system.

15. Plaintiff is entitled to recover its costs of this suit. Plaintiff shall submit its bill of costs within fifteen (15) days from the date of this Order.

Based upon the foregoing *Findings of Fact and Conclusions of Law*, it is hereby.

ORDERED AND ADJUDGED that judgment is entered in favor of Plaintiff, Capital Controls Company, Inc. and against Defendants, Chlorinators, Inc. and James F. Haskett.

ORDERED AND ADJUDGED that an injunction is hereby in effect as specified in the *Conclusions of Law*, paragraph 14, *supra*.

It is further ORDERED that Defendants' Motions to Take Judicial Notice are DENIED.

DONE AND ORDERED in Chambers, at Miami, Florida, this 28th day of June, 1987.

ALCEE L. HASTINGS
UNITED STATES DISTRICT JUDGE

Copies to: Stanley B. Kita, Esquire
William J. Flynn, Esquire

WENTZ TESTIMONY ON DIRECT

Q: Do you recall any tests that were performed on the module shown in P-4A that went to Kalamazoo?

A: My recollection is that the testing of a switchover module, and presumably I [sic] would have been for the Kalamazoo system, as they were either put on two—we had regulators on either two separate cylinders or on one chlorine cylinder. And one I seem to remember a valve mounted on the test bench so that we had two regulators feeding a switchover module which was feeding.

Q: Was the second cylinder—what was in it?

A: Well, if there were two cylinders they would both be chlorine.

Q: Both chlorine?

A: If we used the one cylinder and the test bench it would have chlorine on one side and air on the other side and we generate the vacuum by a test dejector.

Q: Using—what was the gas?

A: Chlorine.

Q:—chlorine.

A: It would have been chlorine or chlorine in there. The systems were first — I believe they were pressurized to determine if they—if they did not leak chlorine.

Q: Would you describe exactly what you mean that they were pressurized?

A: We had a means of where injecting air into the front of the regulator. I am not sure if we got that sophisticated in the very early stages. We used to push on the front pin of the regulator, which would lausic (phonetic) by push, open the pressure safety valve and allow a small amount of chlorine into the system and basically pressurize the system and all the joints were sniffed with a machine to look for leaks.

Q: So, you were testing for chlorine leaks and—

A: Yes. That was leakage external of the system, from the inside out, and then having—

Q: Would that include the switchover module in a system including exhibit, the module of Exhibit P-4A?

A: Yes. And then the modules were cycled on and off by turnover — let's say, first of all both valves would have opened. We closed one cylinder valve to affect [sic] switch over and then it would switchover to the second cylinder, open the second valve and close the first valve and switch back. And we would cycle the unit a number of times to make sure the switchover module was functioning.

Q: You didn't actually let the cylinder of chlorine run out of chlorine mode to affect [sic] the switch?

A: No, not in a product.

Q: You just turned the shut-off valve to stop chlorine from coming out of that tank?

A: Right.